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The Iowa Bankers Association along with member banks appreciate the productive oral discussions with the Iowa Insurance Commissioner related to ARC 4998C -- Unfair trade practices—standards for annuity agents and securities agents, amendments to chapter 15, 50.104. We are submitting the same oral concerns in writing.

- The Iowa Bankers Association (IBA) supports the Safe Harbor in proposed rule 15.75(5) for compliance with Regulation Beneficial Interest in the Insurance portion of the proposal. IBA further appreciates that Iowa is adopting the NAIC Best Interest Model “safe harbor” provision, and, as a result, federally-registered broker dealers and investment advisers, and who recommend variable annuities and other variable insurance products, are out of scope.
- We have also encouraged that Iowa also include a Regulation Beneficial Interest “safe harbor” in the Securities portion of the proposed rule. By failing to do so, Iowa would be creating a patchwork of state rules that are inconsistent with the SEC’s Regulation Best Interest, and compliance with the Iowa-only version will increase costs of compliance and burdens for federally-registered broker dealers, and, depending on the implementation costs, may, in turn, limit choice and access in brokerage for Iowa residents.
- We would also encourage that Iowa proposed section 191-50.104(3)(a)(5) – in the “care obligation” section – remain consistent with the SEC’s Regulation Best Interest’s Care Obligation. Iowa added a new requirement: “have a reasonable basis to believe that prior to or at the time of the recommendation the retail investor has been reasonably informed of the basis of the recommendation and the potential risks, rewards, and costs associated with the recommendation.” IBA interprets this applying to every single recommended transaction, which could be in the thousands in any given year for Iowa resident clients. Although we agree that the representative must have a reasonable belief the recommendation is in the client’s best interest, and must understand the risks, rewards and costs – which is in the SEC Regulation Beneficial Interest Care Obligation – Iowa seems to be going a step further and requiring that the representative provide a specific disclosure to the client for every recommended transaction about the rep’s “basis” and the “risks, rewards and costs”. The SEC did not require trade-by-trade disclosure. Rather, disclosure is addressed in the Disclosure Document and Form CRS and related documents. The SEC also specifically stated that “Regulation Best Interest does not require documentation of the basis for believing a particular recommendation was in a particular retail client’s best interest.” 84 FR 33379. Iowa’s proposed rule would require representative’s to document their disclosure on every transaction in order to comply with the proposed rule. This is a significant burden and would be very costly to implement, and try and

supervise. Iowa Bankers Association recommends that this provision be struck from the proposed rule, and that Iowa follow Regulation Beneficial Interest's obligations instead.

We appreciate the Iowa Insurance Commissioner's consideration of these concerns.